



NATIONAL RESERVE BANK OF TONGA

ANNUAL REPORT

2026



Tonga Celebrated Two Centuries of
Christian Faith in 2026.

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Our Mandate

Objectives of the Bank

1. The principal objectives of the Bank shall be to maintain internal and external monetary stability.
2. Without prejudice to its principal objective, the Bank shall –
 - a. *promote financial stability; and*
 - b. *promote a sound and efficient financial system.*
3. Subject to (1) and (2), the Bank shall conduct its activities in a manner that supports macroeconomic stability and economic growth.

Maintaining internal monetary stability is pursued by the Reserve Bank through promoting low and stable inflation over the medium term. The Reserve Bank's reference inflation rate is to be maintained below 5%.

Maintenance of external monetary stability is pursued through maintaining an adequate amount of foreign currencies (foreign reserves) to meet the country's foreign currency demands to pay for imports and other obligations. As such, the Reserve Bank's monetary policies aim to ensure that Tonga always have foreign reserve holdings of at least three to four months of import cover.

The National Reserve Bank of Tonga Act, Sections 4 and 4A set out the principal objectives and functions of the Reserve Bank:

The principal functions of the Bank shall be, to:

- a. *issue currency;*
- b. *formulate and implement monetary policy;*
- c. *prescribe the regime for the determination of the external value of the Tongan currency in consultation with the Minister;*
- d. *determine the foreign exchange rate and implement foreign exchange policy;*
- e. *determine and implement financial stability policy and oversee the maintenance of the stability of the financial system as a whole;*
- f. *regulate as required the supply, availability and international exchange of money;*
- g. *exclusively hold and manage the external reserves of the Kingdom;*
- h. *provide advisory services to the Minister on banking and monetary matters;*
- i. *be the principal banker, fiscal agent and depository of the Government;*
- j. *undertake banking business, in Tonga or elsewhere, subject to the provisions of this Act;*
- k. *regulate and supervise financial institutions, including non-bank financial institutions;*
- l. *oversee and promote the efficient, sound and safe functioning of the payment system;*
- m. *collect and produce statistics;*
- n. *cooperate with and participate in international councils and organizations, including public international financial institutions, and cooperate with domestic and foreign public entities, concerning matters related to its objectives and functions;*
- o. *regulate and supervise capital markets in Tonga;*
- p. *manage and promote financial inclusion initiatives and related activities; and*
- q. *carry out any other function or any ancillary activities incidental to the exercise of its functions under this Act or any other Act.*

Foreword

Global shocks are becoming more frequent and more severe, transmitting almost instantly through prices to the local economy. The latest, the Middle East crisis, added to global supply and transportation disruptions, and weighed on Tonga's inflation and growth outlook. Headline inflation rose from 2.0 percent in February 2026 to 7.9 percent in May 2026, before closing FY2026 at 7.1 percent.

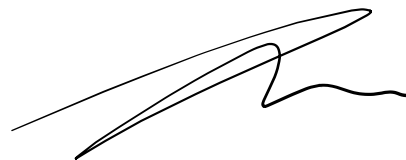
NRBT must remain relevant by strengthening its reaction function, its ability to weigh competing risks, navigating policy trade-offs and responding consistently within the hierarchy of its statutory objectives. This is particularly important given Tonga's highly vulnerable small open economy where monetary policy transmission is challenging, imported inflation is significant, excess liquidity remains high, and policy decisions must also safeguard the credibility of the exchange rate peg.

With the support of the Board, Management advanced reforms to modernize monetary policy operations; strengthen prudential supervision and AML/CFT compliance with various convictions; reviewed foreign reserves management governance, risks, performance, strategic asset allocation, and currency allocation; facilitated access to quality credit; strengthened risk management and governance; and invested in enhancing systems, infrastructure and staff resources and skills required for more effective policy delivery. Resilience also requires financial strength where the continued growth in total assets and, importantly, net assets strengthened its capacity to manage financial risks while maintaining operational independence and delivering its statutory mandate.

Operational resilience is equally important. Cyber risk, AML and financial crimes, business disruption and increasing digital financial services require stronger safeguards and modern infrastructure. They form part of the Bank's resilience agenda, protecting confidence, ensuring continuity of critical financial services and enabling safer and more efficient financial intermediation.

NRBT achieved an 88.6 percent overall delivery rate against its 79 measurable improvement targets in FY2026, in addition to its routine deliveries. Twenty-four targets were fully completed, representing 30.4 percent compared with 13 percent in 2025, while a further 46 targets remained on track and in progress. The successful resolution of litigations in the Bank's favor also reinforced institutional resilience and confidence in its supervisory actions.

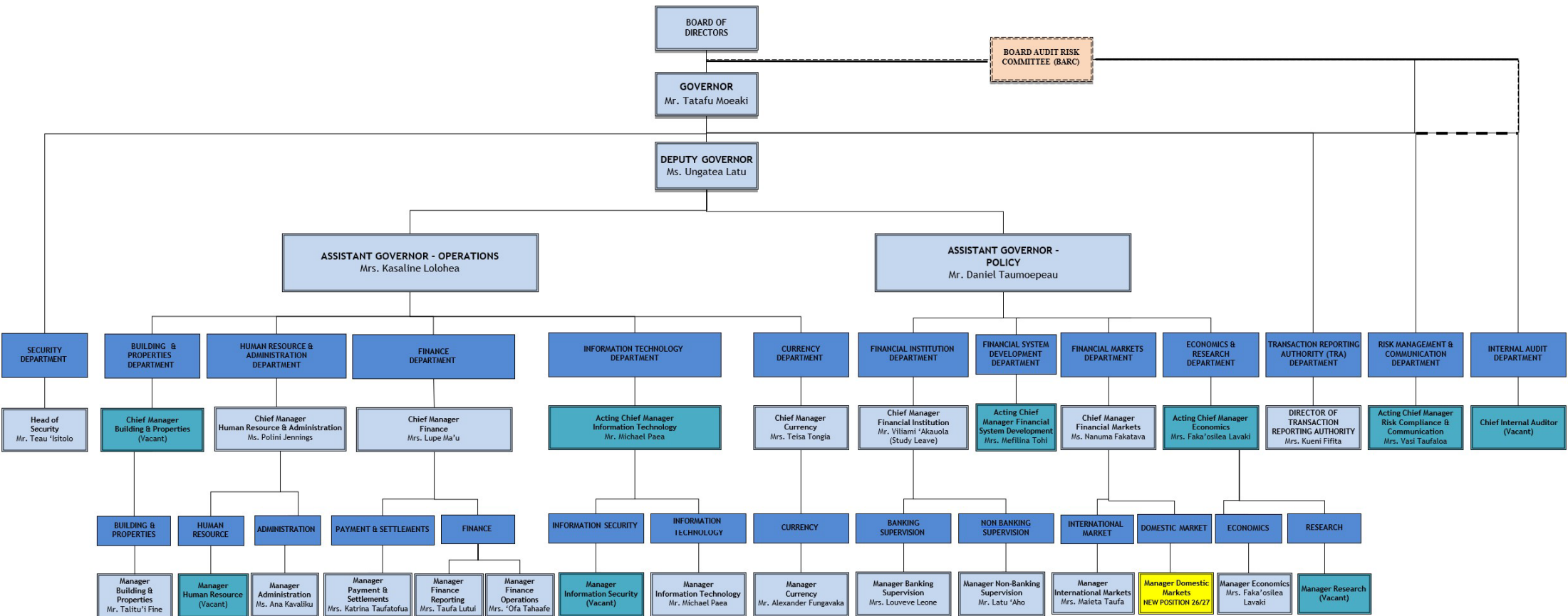
The achievements of FY2026 have established stronger foundations for the year ahead: a better-capitalized, more capable and more resilient NRBT, with stronger policy tools and institutional safeguards to navigate an increasingly uncertain global environment while continuing to protect price stability, external stability, financial stability and the wider interests of the people of Tonga.



Tatafu Moeaki
Governor.

Organizational Chart – June 2026

Figure 1: NRBT Organization Structure



NRBT Staff 2026



1 row: T.Tauna'uta, S.Lutui, L.Tai, N.Langi, T.Fanua, V.Tonga, 'A.Masila

2 row: T.Filimoehala, L.Ma'u, T.Tongia, K.Lolohea, T.Moeaki, U.Latu, D.Taumoeau, M.Tohi, K.Fifita, N.Fakatava.

3 row: 'A.Kavaliku, C.'Akau'ola, M.Taufa, M.Tupou, M.Toeapi, K.Mausia, T.Tovi, V.Taufalao, 'O.Tahaafe, P. Jennings

4 row: S.Tupou, F.Masila, P.Vea, S.Moala, M.Le'ota, K.Falesiva, M.Finau, L.Taufu'i, T.Lutui, M.Iketau, S.Lama, K.Ma'u

5 row: L.Tupou, S.Taione, S.Manuofetoea, S.Tufui, M.Maile, L'Alo, F.Fa'aoa, V.Kiutau, H.Palenapa

6 row: T.Finau, S.Leone, A.Fungavak, K.Tupou, S.Tonga, M.Paea

Absent

V.Fakasiieiki, S.Vaipuna, F.Sevaki,

M.Afu, T.Tulahe, S.'Aliki, N.Maile, F.Malupo, K.Havealeta,

I.Hufanga, P.Ngahe, L.Leone, S.Seau, L.Fatukala,

A.Metui, T.Fine, A.Lasike, I.Vaiomounga, Latu.Aho,

L.Mokofisi, S.Vite, S.Moli, A.Vea

Board of Directors



Lord Sevele
Chairman



Dr. Masasso Paunga
Deputy Chairman



Mrs. Siosi Mafi
Director



Mr. John Paul Chapman
Director



Mr. Paulo Kautoke
Director
(Appointed 29 April 2026)



Mrs. Kilisitina Tuamei'api
Ex-Officio Director
Secretary for Finance



Mr. Tatafu Moeaki
Ex-Officio Director
Governor



Ms. 'Ungatea Latu
Secretary to the Board



Mrs. Vika Fusimalohi
Director
(Resigned 9 October 2025)

Board Audit Risk Committee



Mr. John P. Chapman
Chairman



Mrs. Siosi Mafi
Director



Mr. Paulo Kautoke
Director
(Appointed 29 April 2026)



Mrs. Kasaline Lolohea
Secretary to the BARC



Mrs. Vika Fusimalohi
Director
(Resigned 9 October 2025)

Executive Management



Mr. Tatafu Moeaki
Governor



Ms. 'Ungatea Latu
Deputy Governor



Mr. Taniela Taumoepeau
Assistant Governor - Policy



Mrs. Kasaline Lolohea
Assistant Governor - Operation

Leadership and Governance

The Board of Directors in 2026 continued to provide professional and forward-looking oversight of the Bank's policies, strategic direction, performance and use of resources in accordance with Section 9A of the NRBT Act and related legislations. Its oversight was directed not only at compliance and performance, but also at ensuring that the Bank's policy frameworks, financial strength and institutional capability remained fit for an environment of more frequent and fast-moving global shocks, heightened uncertainty and rapidly adjusting markets.



Board of Directors (Director J. P. Chapman absent), 2026.

The Board comprises the Chair and four non-executive Directors, together with the CEO for Finance and the Governor as ex-officio Directors, supported by the Deputy Governor as Board Secretary.

During FY2026, the Board met 22 times, which was lower than the previous year but exceeded the statutory minimum of 10 meetings, while the Board Audit and Risk Committee (BARC) met eight times, twice the required minimum. Across these meetings, 97 resolutions were adopted covering the Bank's core statutory responsibilities and strategic priorities.

The Board exercised oversight over monetary policy decisions in August 2025 and February 2026, enterprise

risk management updates, financial stability, currency management, foreign reserves management and investment performance, and the exchange-rate basket. It also reviewed monthly updates on inflation, macroeconomic conditions, monetary developments, financial stability and financial performance against budget, and endorsed the 2025 Annual Report and FY2025 audited annual financial statements while approving the Corporate Plan 2027 and Budget 2027.

Governance and resilience were further strengthened through approval of key legislations for payment systems, the credit registry, insurance supervision; policy reviews relating to business continuity, information governance, employment terms and conditions and building the maturity of the board governance; prudential and operational reforms including reviewing prudential banking standards and requirements for licensed foreign exchange dealers. These measures helped advance the Bank's policy and governance and improve preparedness for operational, financial and external shocks.

The Board also supported a stronger financial position, with net assets increasing and reinforcing the Bank's capacity to absorb risks while maintaining policy effectiveness and operational independence. At the same time, greater emphasis was placed on building institutional capability through targeted staff training, technical assistance, regional engagement and exposure to peer central banks and international partners.

The Board led the Bank's governance framework, providing the final layer of oversight and accountability serving NRBT public duties.

Highlights for FY2026 (FY2025)

Price Stability:

Inflation average
rose to
4.0% (2.9%)



Foreign Reserves:

Foreign Reserves rose to
\$991.8 MILLION
with an **11.5 months'** worth of imports
(**\$925.1 MILLION** with a **10.6** worth of
imports,)



\$1.04 BILLION (\$0.98 BILLION)

Total Assets

FY2026: \$61.1 MILLION (\$51.7 MILLION)

Net Assets doubled over 4 years

Financial Stability:

- Banking sector remains well capitalized, highly liquid & profitable despite heightened risks.
- **SRD Ratio maintained at 15%**, preserving higher liquidity buffer within banks' SRD accounts.

Banknotes and coins:

*Banknotes and coins in
circulation up to*
**\$156.4 million (\$132.4
million)**



\$18.6 MILLION (\$22.8 MILLION)

Distribution to Government: supporting national budget and public priorities
(Cumulative distribution since FY2023: \$80 MILLION)

\$26.6 MILLION (\$32.5 MILLION)

Audited NPAT



NRBT Notes Re-activated

Absorbing approx. 80% of excess
liquidity by June 2026, strengthening
monetary policy transmission



Building NRBT Operational Resilience

AML/CFT Convictions,
Business Continuity,
Enterprise Risk Policy and Reporting
& Cybersecurity Frameworks
strengthened

NRBT 5-Year Strategy (SP2028)



Figure 2: NRBT 5 Year Strategy (SP2028)

Monetary Stability

Macroeconomic conditions remained broadly stable in FY2026, but monetary stability remains challenged by external vulnerabilities and fragmented domestic growth. Headline inflation rose above the 5% reference rate in April 2026 and quickly escalated thereafter, reflecting the ripple effect of the Middle East War on global energy supply chains, commodity prices, and transportation costs. Meanwhile, domestic growth remained subdued with an estimated growth of

2.2% for FY2026. Analysing selected monetary indicators provided in *Table 1* shows that while Tonga's external monetary stability has continuously strengthened over the years, internal monetary conditions have stagnated. Tonga's cost of living is relatively higher compared to its Pacific peers, as inflation outpaces growth. Heightened policy uncertainties, uneven growth, and climate change risks cloud the outlook for inflation and growth in the short to medium term.

Table 1: Selected Macroeconomic/Monetary Indicators

Selected Macroeconomic Indicators	2006	2016	2022	2023	2024	2025	2026
Real GDP (%p.a.)	-2.2	6.6	-2.1	3.4	1.4	4.4	2.2 (f)
Inflation (%p.a.) Period Average*	7.3	-0.6	6.8	12.6	8.0	2.9	4.0
Gross Official Reserves (TOP \$'Millions)	83.2	354.9	871.2	921.4	924.3	925.1	991.8
Gross Official Reserves (Months of Imports Cover)	4.3	5.3	14.4	11.9	11.9	10.6	11.5
External Current Account Balance (%GDP)	-6.4	-7.5	-5.8	-5.8	-6.7	-4.9	-4.4
NEER End of period**	-	90.7	93.2	94.8	95.8	94.7	95.5
REER (percentage change per annum)	-	-7.7	7.2	9.6	3.6	-1.7	3.4
Credit to the Private Sector (annual percent change)	22.6	20.5	-1.8	9.6	6.6	8.5	2.0
Money Supply (annual percent change)	14.4	16.7	10.6	-0.5	7.5	4.4	11.6
<i>Notes: Period: Financial Year (FY), *Average - FY, CPI 2021 =100, Inflation rates for 2006 and 2016 were derived, given that the available 2021-base index only extends back to 2018.</i> **End of period							
Source: NRBT							

Internal Price Stability

Tonga's long-standing monetary and exchange rate policy framework has delivered relative stability in the external current account and nominal exchange rate but has been less effective in containing domestic price volatility and insulating the economy from repeated shocks. Over a prolonged period of effectively zero policy signaling, inflation has fluctuated widely from -2.2% in 2006, to 6.6% in 2016, and an average of 4.0% in 2026, as provided in *Table 1* above.

By comparison, the current account balance has remained within a narrower range at around -6.4% of GDP in 2006, -7.5% in 2016 and -4.4% in 2026, while the NEER has been broadly stable, fluctuating by around 5% between 2016 and 2026. This suggests that the exchange rate framework has provided an important external anchor, but the monetary framework has had limited influence over domestic interest rates, liquidity conditions and inflation transmission.

The divergence between a relatively stable NEER and a more volatile REER moving by as much as around 14% in the last 5 years, largely reflected the domestic inflation differential. It highlights the weakness of relying on exchange rate stability alone to preserve price competitiveness and external balance. At the same time, broad money growth remained persistently positive at around 14.4% in 2006, 16.7% in 2016 and 11.6% in 2026, without a sufficiently active policy-rate and money-market mechanism to influence how liquidity translated into savings, credit and domestic demand.

The recent rise in headline inflation above the 5% reference rate since May 2026, driven initially by imported fuel, electricity and airfares but accompanied by persistently high core inflation of around 9.1%, therefore exposes a structural weakness in the existing policy framework, that it has not provided adequate safeguards or sufficiently flexible policy tools to mitigate either external supply shocks or their second-round domestic effects.

Under Tonga's complex macroeconomic conditions and outlook, the NRBT shifted from an accommodative stance to a neutral stance in its Monetary Policy Statement (MPS) in August 2025 which was retained also in the February 2026 MPS. The Bank also strengthened public communication of its forecasts, policy outlook and reaction functions to help the public understand monetary policy objectives, inform economic decisions, and help households and businesses anticipate emerging risks.

Modernizing the Monetary Policy Framework

During FY2026, the Bank advanced reforms to modernize its monetary policy operational framework and lay the foundations for a more effective interest rate-based regime.

A key milestone was the reactivation of NRBT Notes in September 2025 as the Bank's principal market-based liquidity management instrument, complemented by the introduction of an interest rate corridor. Together, these measures strengthened the Bank's ability to absorb excess liquidity and began rebuilding the market infrastructure needed for the official policy rate to provide a credible signal to short-term market interest rates.



Tonga Development Bank, Nuku'alofa.

Recognizing that effective transmission requires more than the announcement of a policy rate, the Bank during the year strengthened the supporting safeguards around the framework. This included consultation with commercial banks and the Ministry of Finance on liquidity absorption through NRBT Notes, progress toward consolidating Government deposits under a Treasury Single Account at the Bank, and closer coordination of cash-flow information to improve system liquidity management.

With IMF assistance, the Bank also strengthened liquidity forecasting and prepared the operational foundations for a gradual transition from fixed-rate full-allotment operations toward more flexible variable-rate allocation. The fixed-rate full-allotment approach remains an important transitional safeguard, ensuring broad bank participation while market depth and confidence are being rebuilt.

Sterilization of excess liquidity through NRBT notes issuance comes at a cost to the Bank; however these works are critical for completing the market infrastructure needed for the official rate to transmit effectively to market interest rates. This includes more robust liquidity forecasting, establishing repo arrangements to reactivate the interbank market, and refining covered and uncovered interest parity analysis to ensure domestic interest-rate settings remain consistent with safeguarding the exchange-rate peg. It is expected once these foundations are functioning effectively, NRBT will be better positioned to adjust the policy rate, tenor and operating parameters as conditions require, strengthening its ability to manage liquidity, influence market rates and inflationary pressures, preserve external stability and support sustainable economic growth.

The reintroduction of NRBT Notes has played a key role in reducing excess liquidity, though structural constraints, including the continuous inflow of remittances and Government receipts from development partners, continue to limit policy transmission. NRBT's Note issuance increased significantly from an initial uptake of \$25.3 million in September 2025 to \$271.0 million in June 2026 as banks' appetite for Notes increased.

The Bank also continued to support initiatives to utilize the excess liquidity such as deepening the financial market and facilitating financing options through its national financial inclusion strategy and coordinating with relevant stakeholders to promote investment opportunities.

Monetary Policy Decisions



Media Event Monetary Policy Statement February 2026.

During FY2026, the Board approved monetary policy measures to strengthen the effectiveness of the policy framework in safeguarding price stability and external stability, and reinforce macroeconomic stability, including:

- Adopted a conventional mid-corridor framework where the policy rate of 2% is the mid-rate of the interest rate corridor (IRC) of 0%-4%.
- Issued NRBT Notes to commercial banks through a fixed-rate, full-allotment operation at the monetary policy rate (2%) to absorb excess liquidity in the banking system, strengthen the transmission of monetary policy, and improve the influence of the policy rate on short-term market interest rates.
- Maintained the zero percent interest rate on banks' Exchange Settlement Accounts.

- Reviewed the exchange rate basket framework to enhance the pass-through effect to domestic inflation.
- Maintained the Statutory Reserve Deposit at 15%.
- Strengthened close collaboration with fiscal policy authorities on measures to address supply-side constraints and excessive business costs that contribute to domestic inflation.

Building Research Capacity

We continued to strengthen our analytical and research capabilities during the financial year, supported by a volunteer funded by the Australian Government. Research focused on issues shaping Tonga's inflation dynamics, macroeconomic stability, and long-term growth prospects, with particular attention to the economic implications of the US-Israel and Iran conflict.

We also updated our analytical tools and models with IMF technical assistance.

Analytical work done with the Australian volunteer complemented the Bank's Quarterly Projections Model, nowcasting framework, and macroeconomic diagnostics to enhance policy analysis and support the formulation of the February 2026 Monetary Policy Statement. Major research topics included the economic impact of the return of undocumented Tongan nationals from the United States, the cost structure of selected imported goods, a time-price perspective on inflation, and assessments of the evolving Middle East conflict and its implications for Tonga's economy.

We also enhanced engagement with businesses and other stakeholders to validate economic intelligence, improve forecasting accuracy, and corroborate analytical findings.

As geopolitical tensions intensified towards the end of FY2026, we introduced weekly internal monitoring reports to assess developments in global energy markets and their implications for inflation, the exchange rate, and foreign reserves, ensuring timely information was available to support policy deliberations.

To improve statistics, research, and communication, we, in collaboration with the Tonga Statistics Department and the Ministry of Finance, have commenced work with the IMF Statistics Department to improve the timeliness and quality of data in Tonga through the Report on the Observance of Standards and Codes (ROSC) mission. The mission aims to assess Tonga's official macroeconomic statistics against international standards and identify areas for improvement. Its findings will inform the National Statistics Summit in 2027, which will provide a platform to agree on key priorities and develop a roadmap to strengthen Tonga's statistical system.

Publications

During FY2026, we produced and disseminated a range of publications to support evidence-based policymaking, economic dialogue, and public communication, including:

- 1) August 2025 and February 2026 Monetary Policy Statements
- 2) June 2025 Quarterly Bulletin released; September 2025-March 2026 Quarterly Bulletins updated and finalized in August 2026

- 3) Monthly Monetary Policy Data Sheets (12 publications).
- 4) Monthly Economic Updates on the performance of key sectors of the economy (12 publications).
- 5) 4 Working papers on drivers of inflation
- 6) 1 Press Release and Research Paper on Impacts of the conflict in the Middle East

Economic Advice to Stakeholders

The following activities in giving economic advice were undertaken in FY2026:

- Continued to provide economic advice and policy analysis to Government, development partners, and other stakeholders throughout the year.
- Participated in the Government's Macroeconomic Technical Committee, the Tonga National Business Forum, the National Strategy Forum, and other policy discussions

to strengthen coordination between fiscal and monetary policies.

- Contributed monetary policy updates to the Government's FY2027 Budget Statement.
- Responded to numerous requests for economic data and analysis from the IMF, World Bank, Asian Development Bank, government agencies, researchers, and technical assistance missions.
- Contributed to the Joint Policy Reform Matrix Committee for Budget Support to the Government.
- Implemented assistance and sharing knowledge from the Annual Meetings of the IMF-World Bank, Washington DC.
- Implemented assistance and sharing knowledge and policy advice from the Annual meetings of the South Pacific Central Bank Governors, Governors' Pacific Island Regional Initiatives (PIRI) and Global Policy Forum for Financial Inclusion.

Financial Stability

The banking system remained stable through June 2026, supported by ample liquidity, strong capital buffers, and sustained profitability. Individual bank performance however varies depending on bank-specific risks and financial and operational outcomes. Capital positions stayed well above prudential thresholds, accompanied by modest improvements in non-performing loans. Profitability remained firm, with return on equity easing to 12.1% (from 12.9% in June 2025) and return on assets edging down to 2.0% (from 2.1%), underscoring the resilience of the financial system overall.

At the end of FY2026, the banking system's Risk-Weighted Capital Ratio (RWCR) was still above the regulatory minimum of 15%, at 25.0%, slightly lower than the 27.4% in the previous year. The Liquid Asset Ratio (LAR) was higher at 42.9% from 40.8% last year. Banks still accumulated a net profit after tax of \$10.1 million, albeit lower than \$21.3 million in the previous year due to higher non-interest expenses and loan loss provisions. The Return on Equity (after tax) of 4.6% was lower than 10.3% in the previous year. Similarly, the Return on Assets (before tax) was 1.0% compared to 2.2% last year.

Credit growth was 4.9% over the year to June 2026, moderating from the 13.5% growth in the previous year. Both business and household lending expanded during the year. Nonetheless, growth sectors remain underserved by banks, such as the agricultural sector, construction, and manufacturing.

Asset quality remained a supervisory concern as non-performing loans to total loans remained above the internal benchmark at 14.2% and are concentrated in one bank.

Supervision of Financial Institutions

We continued to safeguard financial stability through effective implementation of financial stability policies and oversight of licensed financial institutions adopting a risk-based approach. Continuous efforts to enhance our supervisory roles included ensuring licensed financial institutions comply with prudential standards, statutory regulations, and effective risk management practices.

Regulatory Developments

Consistent progress was made in upgrading the supervisory framework for commercial banks, including the revision of the Prudential Banking Standards (PBS) with the assistance of the IMF Pacific Financial Technical Assistance Centre (PFTAC).

This revision involves replacing the 15 legacy Prudential Statements with streamlined Prudential Banking Standards (PBS) that are strategically aligned with international Basel benchmarks and embedded risk-based supervision, which supports the overall resilience of the domestic banking sector. The following were achieved over the year:

- One newly revised standard, PBS No. 9 (Governance and Risk Management), was issued and took effect in February 2026, establishing heightened governance expectations across Banks.
- Two newly revised standards, PBS No. 7 (Audit Arrangement) and PBS No. 8 (Fit & Proper Requirements), were issued for industry consultation.
- Two standards, PBS No. 5 (Liquidity Risk Management) and PBS No. 6 (Capital Adequacy), have been successfully updated by realigning the regulatory architecture from the repealed Financial Institutions Act 2004 to the statutory provisions of the Banking Act 2020, and are ready for direct issuance and implementation.

At the same time, the Risk-Based Supervision framework is being rolled out and executed, shifting supervisory oversight toward forward-looking evaluations of systemic risk, capital adequacy, asset quality, and operational cyber-resilience within commercial banks.

In expanding the inclusiveness of the financial system to unregulated financial institutions, we are collaborating with the World Bank on a draft Insurance Bill 2025 aiming to obtain Cabinet approval in FY2027.

Banking Supervision

We focused on enhancing the resilience of commercial banks, monitoring macro-prudential developments, and supporting a secure and efficient banking infrastructure to ensure financial stability and promote sustainable economic growth throughout the Kingdom.

Continuous micro-prudential surveillance and formal examination cycles remain vital components of our supervisory toolkit.

Enhanced supervision of one bank continued during the year as litigations ended to ensure compliance with the prudential requirements including strengthening governance and managing of NPLs.

- **Off-Site Monitoring:** Continuous off-site surveillance involved deep-dive analyses of banks' monthly and quarterly prudential returns. This was supported by regular stress-testing models, liquidity monitoring, and early warning indicator evaluations to spot emerging risk vulnerabilities early. This included continuous close monitoring of NPL workout strategies and ensuring adequate provisions for the NPLs.
- **On-Site Inspections:** One targeted on-site examination of commercial banks focused heavily on thematic areas such as credit underwriting standards and asset quality reviews.
- **Industry Engagement:** Regular bilateral consultations and working-level meetings were held with commercial bank executives (including engagement via the Association of Banks in Tonga) and external auditors to address regulatory expectations and evolving banking sector dynamics.

Targeted capacity development was also provided to strengthen our operational efficiency, enhance internal supervisory expertise, and maintain active industry engagement. Supervisors participated in several professional development courses, technical assistance programs, and regional attachments facilitated

by key partners such as the IMF, Pacific Financial Technical Assistance Centre (PFTAC), UNODC, APG, Toronto Centre, and World Bank-PIFs as well as regional central banking networks.

Non-Bank Supervision

Non-Bank Financial Institutions (NBFIs) play an important role in Tonga's economy by providing financial services to underserved sectors and vulnerable groups. More than 80% of remittance receipts, an important lifeline for Tongan households, are channeled through Foreign Exchange Dealers. Effective supervision of NBFIs reinforces the NRBT's strategic goal of safeguarding financial stability and ensuring sustainable and inclusive development. We supervised fourteen (14) Foreign Exchange Dealers (FEDs) by the end of June 2026, down from sixteen (16) in the previous year.

- A **Directive** for FEDs was developed aimed at improving compliance with the Foreign Exchange Control Act 2018 while also strengthening the monitoring and compliance with anti-money laundering requirements under the Money Laundering and Proceeds of Crime Act 2025.
- **Off-Site Monitoring:** Regular assessment and analysis of weekly, monthly, and quarterly returns to ensure compliance with licensing conditions.
- **On-Site Inspections:** 3 quarterly spot checks and 1 annual compliance visit to 14 FEDs were conducted to validate off-site assessments and confirm compliance with licensing conditions.

- **FEDs licensing:** The NRBT approved 1 new FED licence, while enforcement actions resulted in the revocation of 3 licences.
- **Industry Consultations:** The industry was consulted on the draft FEDs Directive.

We received a growing number of applications for Moneylenders' licences during the year, indicating increasing demand for credit outside of the banking system.

- 71 new Moneylender licenses were approved and issued during the year, bringing the total number of licensed Moneylenders to 196 (45 Type A licences, 82 Type B licences, and 69 Type C licences).
- An annual meeting for Type A Moneylenders was held in November 2025, providing refresher training on the requirements of the Moneylender Act 2018, AML requirements, and compliance with the licensing conditions.
- New reporting templates, spot-check procedures, and prescribed loan agreements are being developed to improve compliance with regulatory requirements and licence conditions.

The sole licensed Microfinance Institution, South Pacific Business Development (SPBD), continues to operate under our supervision. Despite offering higher effective interest rates of more than twice that of the banks, SPBD remained highly popular amongst women and community groups as its loan processes remove two major barriers to formal credit, collateral proof and permanent income. By eliminating these requirements, SPBD provides easier and more inclusive access to finance for borrowers

who would otherwise struggle to qualify for conventional bank lending.

We continued to conduct offsite monitoring of SPBD's operations to ensure compliance with their licence conditions and that the interests of their members are protected.



Financial Institution Department, NRBT 2026

AML/CFT Supervision

The Money Laundering and Proceeds of Crime (MLPC) Act 2025 enacted in December 2025 assigns the responsibility for supervision of compliance by financial institutions with AML/CFT requirements to the NRBT.

- We continued to support building our staff's AML/CFT supervisory capacity by sending them to international training courses and workshops offered by development partners such as the Asia Pacific Group on Money Laundering (APG), IMF, and World Bank.
- Risk-Based AML/CFT supervision tools have been developed and issued to banks for adoption.
- Similar tools were developed for non-bank financial institutions, which have been incorporated into the supervision of FEDs and Moneylenders by strengthening:
 - Customer identification and verification
 - Remittance transaction monitoring

- Suspicious transaction reporting
- Record keeping
- High-risk customers and transactions
- Compliance with sanctions and other financial controls

Consumer Empowerment

Beyond institutional soundness, we continued to maintain active oversight of market conduct and consumer protection to ensure fair, transparent, and ethical treatment of financial services customers across Tonga.

Disclosure Requirement: Targeted spot checks were conducted on Prudential Statement No. 4 (Disclosure Requirements) compliance across all commercial bank branches in Tongatapu, verifying that public and customer-facing disclosures meet mandatory transparency standards. FEDs, Microfinance, and Moneylenders are also required to clearly disclose exchange rates and fees and charges, allowing their customers to make informed decisions.

Handling of Customer Complaints: We facilitated the review, mediation, and resolution of 6 formal customer complaints lodged against commercial banks, addressing issues ranging from fee structures and loan transparency to

transaction disputes. Banks were urged to strengthen their internal dispute resolution mechanisms to ensure timely and fair remediation for consumers. During the year, we successfully resolved two (2) complaints against Moneylenders.

Administration of Unclaimed Monies: We continued to fulfill our statutory mandate under Section 94 of the Banking Act 2020 by administering and overseeing unclaimed funds and properties.

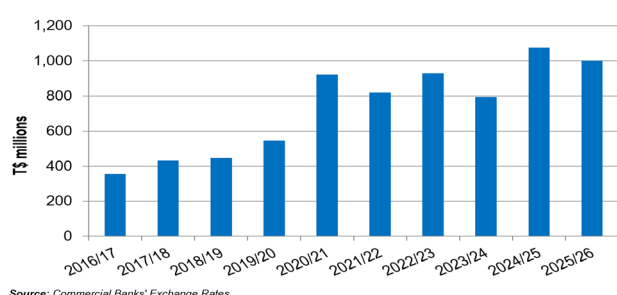
- In FY2026, we received unclaimed funds from commercial banks totaling \$1,153,662.83 across 1,373 accounts.
- We handled successful claimant payouts amounting to \$40,755.58 (10 accounts) and managed the statutory forfeiture of long-dormant funds totaling \$293,268.94 (743 accounts) to the Government after the mandatory five-year holding period expired.
- In compliance with statutory requirements, preparations were finalized for our 11th annual publication of unclaimed funds, encompassing 3,447 accounts valued at \$2,187,579.64 across local media and digital media channels

Financial Market Operations

Foreign Reserves Management

We continued to manage the country's foreign reserves, which peaked at T\$994.5 million in June 2026 before closing at T\$991.8 million as at 30 June 2026, equivalent to 11.5 months of import cover. This compares with T\$925.1 million (10.6 months of import cover) at the end of June 2025.

Figure 2: Foreign Exchange Turnover



- The Bank was a net purchaser in the foreign exchange markets. Purchases totaled T\$533.9 million, which exceeded sales of T\$467.3 million, resulting in a total turnover of T\$1.0 billion, down from T\$1.1 billion in FY2025
- The Bank executed 1,480 transactions with the Government and commercial banks and paid T\$1,057,578.23 in foreign exchange levy to the Ministry of Finance.

Our investment policy remains focused on safety, liquidity and preserving the value of foreign reserves, while seeking to maximize income under challenging global financial conditions.

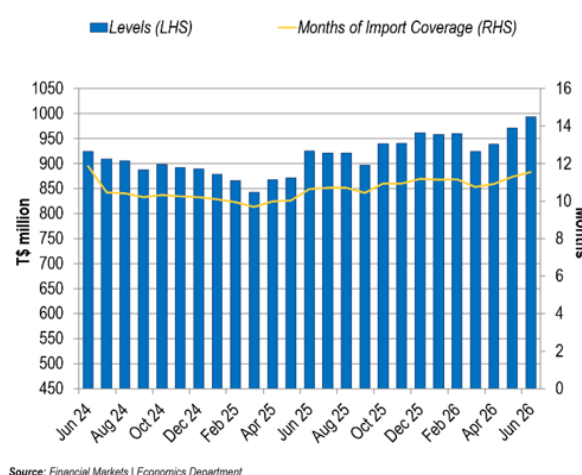
- The foreign reserves were primarily held in US dollars, Australian dollars and New Zealand dollars.

- To mitigate currency risk, investments were managed in line with the exchange rate basket that underpins the Tongan Pa'anga. Despite market volatility, the NRBT managed deviations from benchmark holdings within the approved limits, which led to revaluation gains of T\$1.4 million during the year.

Investment income declined by T\$4.5 million to T\$37.6 million compared to the previous year, reflecting lower global interest rates as the US, New Zealand, and Australian central banks reduced policy rates to support growth amid easing inflation pressures.

However, the ongoing US-Iran conflict towards the end of the financial year has increased oil prices and is likely to keep inflation above the central banks' target rate, raising the likelihood of further hikes by global central banks to control inflation.

Figure 3: Gross Official Foreign Reserves - Monthly



Foreign Exchange Control Operations

During the year, we processed 827 **exchange control applications** valued at T\$510.0 million, of which 13.0% were capital transactions.

This compares with 794 applications in the previous year. Exchange control data, together with information on large foreign currency payments, remain critical inputs for the Bank's foreign reserves forecast, investment decisions, and monetary policy formulations, while ensuring the legitimacy of underlying transactions.

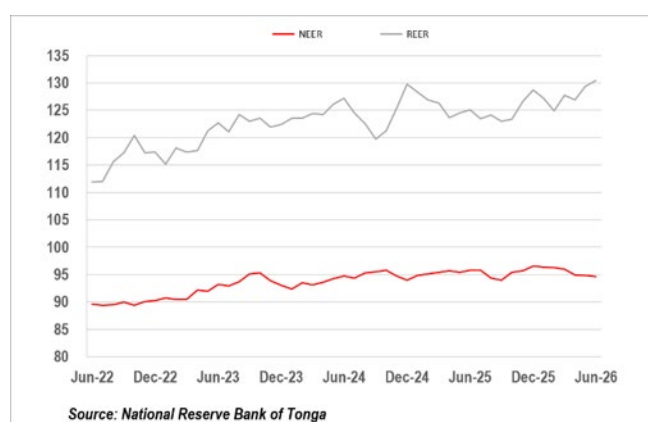
We also reviewed and authorized 78 applications totaling T\$51.1 million for the **cross-border transfer of physical cash** (Tongan pa'anga and foreign currency above T\$10,000), a decrease from T\$61.4 million in the previous year.

We conducted regular spot checks, reviewed monthly reports received from banks and foreign exchange dealers, and delivered targeted training to improve compliance with the Exchange Control Directive.

Exchange Rate Management

The Bank determines the daily exchange rate of the Tongan Pa'anga by reference to a weighted basket of currencies representing Tonga's major trading and financial partners. These official exchange rates provide the basis for the foreign exchange rates quoted by commercial banks.

Figure 4: Nominal & Real Effective Exchange Rates - Monthly



Throughout the year, we closely monitored movements in the Pa'anga to ensure that the exchange rate supported balance of payments stability and maintained price stability, consistent with the overall objective of safeguarding macroeconomic stability.

To mitigate inflationary pressures, the following measures were taken in FY2026:

- Reviewed and updated the **composition and weights of the basket of currencies** in accordance with the latest trend in bilateral trades with Tonga's major trading partners. The changes helped to maintain the strength of the pa'anga and reduce volatility.
- Continued to monitor the compliance of authorized dealers (banks and foreign exchange dealers) with approved **limits on the exchange rate spreads**.
- Continued to publish daily and weekly comparisons of financial institutions' exchange rates and fees on its website, enabling the public to make more informed financial decisions.

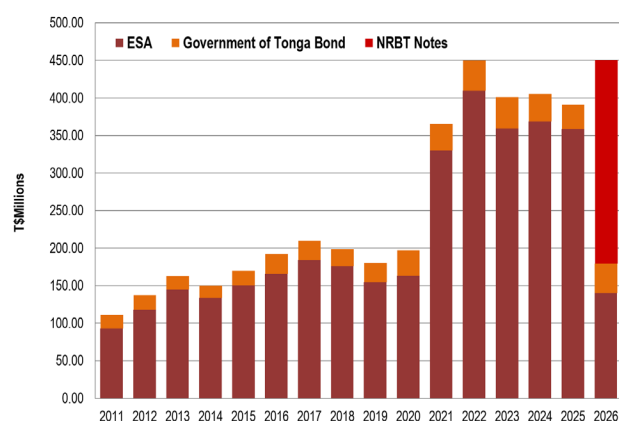
Implement Monetary Policy and Develop Tonga's Financial Market

In its August 2025 and February 2026 Monetary Policy Statements, the Bank started modernizing its monetary policy framework to strengthen transmission.

- The **NRBT Notes issuance** was reactivated in September 2025 after a dormant period of 16 years. NRBT notes were issued to commercial banks at a fixed 2% rate with full allotment.
- Weekly biddings for the **7-days NRBT notes** commenced in September 2025.

- Participation was limited at first with an initial uptake of \$25.3 million before accelerating to \$110 million in December 2025 and \$271 million by June 2026. Consequentially, excess liquidity in the banking system declined from \$309 million last year to \$76 million by end of financial year.

Figure 5: Banking System Liquidity



Source: National Reserve Bank of Tonga

- The NRBT also established a **Liquidity Management Unit** (as recommended by the IMF) within the Financial Markets Department. The Unit oversaw the development of a tool for forecasting liquidity in the banking system. By end of year, the team developed a model to forecast excess liquidity. However, the model needs further development by incorporating data and statistics from Ministry of Finance.
- The SRD ratio was maintained at 15% as per Board-approved monetary policy decision.

During the year, there was no activity in the interbank market and no applications for repurchase agreements. We continued to monitor data on excess reserves to assess the impact of the issuances and, in time, on interbank market activity and ultimately interest rates and economic activity

Financial System Development

A new Financial System Development Department was established during the year, tasked with advancing our financial inclusion initiatives to be more focused on expanding access to formal financial services, modernizing the national payments infrastructure, strengthening credit information and market infrastructure, reducing transaction frictions, and supporting more efficient intermediation of savings into productive investment. Progress was assessed not only by growth in financial activity, but also by improvements in access, affordability, competition, digitalization, and the resilience of the financial system.

Financial Inclusion

The Bank has made financial inclusion and access to finance an explicit policy priority through its National Financial Inclusion Strategy (NFIS). Available indicators show significant gaps remain in both basic access to the formal financial system and breadth of services used by households and businesses. 34 percent of adults are estimated to remain unbanked, 14 percent rely on informal financial services, and more than 50 percent do not access the full range of formal financial services.

Digital payment services are particularly limited in some areas. In island groups like Ha'apai, Vava'u, 'Eua, and the Niuas, internet and mobile penetration is materially lower than national

averages, and banking infrastructure is limited to cater for those in remote areas. These are important issues that the implementation of our NFIS is trying to address. Despite resource constraints throughout the year, we still progressed with some of our financial inclusion initiatives under the following NFIS pillars.

Inclusive Green Finance

Under the Inclusive Green Finance (IGF) Pillar 5:

- Funding from the Alliance of Financial Inclusion (AFI) was secured to develop the first **IGF Roadmap for Tonga**. The project kicked off in April 2026, and the first output, the Inception Report, was completed in June 2026. The IGF roadmap is expected to be finalized in February 2027, which includes policy benchmarking, gap assessment, recommended actions and outcome areas for implementation.
- Following on from the Pacific Islands Regional Initiatives (PIRI) Meeting in June 2026, we are taking part in the development of the **Pacific Islands Regional Inclusive Green Finance Taxonomy** (PIRIGFT) to be launched at the upcoming 2026 Global Policy Forum in September. This initiative will be supported by AFI and GGGI (Global Green Growth Institute) partnership under the Natadola Roadmap. Through a common classification of “green” and “inclusive”, relevant and affordable financial products and services and tools can be developed and directed towards genuine resilience building initiatives. PIRIGFT focuses on 2 sectors that are common across Pacific Island countries, renewable energy and clean transport.

- We participated in the Bank of Papua New Guinea’s new training platform, the **Green Finance Academy**, made available to all PIRI members as a means for broader Pacific capacity-building and peer-learning initiative.

Digital Financial Services

We strengthened our commitment to Promoting Responsible Digital Financial Services (DFS) – NFIS Pillar 3.

- We joined the **Bank Supervision Application (BSA) pilot** alongside the central banks of Fiji, Vanuatu, and Papua New Guinea. As part of the PIRI Sup Tech Diagnostic Project, the initiative aims to modernize supervisory practices in an increasingly digital financial ecosystem. This is a web-based application that supports enhancing the efficiency and accuracy of the collection and analysis of supervisory reports from banks to inform prudential risk-based supervision and monitoring of compliance with prudential requirements.
- We received several enquiries from developers seeking to test innovative financial solutions through the **Regulatory Sandbox**.

To establish the legal foundation for regulating payment service providers in Tonga, the Payment System and Services Bill 2026 has been passed by Cabinet and submitted to the Legislative Assembly. Establishing the oversight function for the Payment System under FSD is a key component of the Tonga National Payment System Strategy 2026 – 2031 which has been approved by the Board in April 2026.

Consumer Protection

Under the NFIS Pillar 4 – Consumer Protection and Financial Competencies:

- The Bank joined the initiative for **Pacific Financial Literacy Week** to raise public awareness and improve financial behaviors, in alignment with the endorsement of the Santo Statement by PIRI in June 2026 to advance financial capability. The Bank and all PIRI member jurisdictions, have collectively agreed to dedicate one week each year, starting with 15-21 March 2027, to advancing financial education, digital financial literacy, consumer awareness, behavioral change, and financial capability across the Pacific.
- Additionally, we are close to finalizing our **Consumer Financial Protection Policy 2026** to ensure that financial consumers are protected and to maintain their confidence in the financial system.

Micro-Small-Medium Enterprises (MSMEs)

We are supporting initiatives to promote access of MSMEs to financing, which is another important pillar of the NFIS:

- **ADB WE-LIFT project:** The Bank is one of the implementation agencies of the project that facilitates women MSMEs' access to financing by providing loan guarantees as well as business advisory services.
- **ADB Local Currency Bonds.** Following the charter's approval in mid-2025, ADB confirmed its intention to issue TOP bonds to fund local private sector (non-sovereign) projects in Tonga without crowding out the Government of its own market.

- ADB financing has a 3-year maturity with 1-year grace period and 24-month principal amortization term.
- When funding longer term projects, ADB may refinance or rollover its bond issues to generate longer term funding.
- ADB will seek to maximize all development impacts from bond issuance and start a new international issuer curve, set best practice and catalyze the capital market.
- An ADB private sector mission to support Tonga's private sector access to this high-quality credit was mobilized in October 2025. Timeline for ADB TOP-denominated bond issues would depend upon the origination of private sector local currency projects in Tonga.
- **Government Development Loans:** We also support the Ministry of Finance in refining the GDL conditions to support the uptake of concessional financing for targeted sectors, including MSMEs, through the Tonga Development Bank.
- **Banks** and the **microfinance** institution (SPBD) also offer varying facilities to support MSMEs. An example of new initiatives includes MBf Bank teaming up with Business Link Pacific to offer a concessional loan package for MSMEs.

Financial Access

A number of initiatives to promote financial access are being implemented.

- **Credit Registry:** Developing a credit registry that can serve the Tongan market has been identified as one of the enablers of financial inclusion and access. We completed an industry consultation in May 2026 on the

Credit Registry Bill 2026, which was approved by Cabinet and submitted to the Legislative Assembly. ADB PSDI (Pacific Private Sector Development Initiative) is also working in parallel to develop the **National Credit Registry** to be housed in the NRBT.

- **Financial Sector Strategy:** Supporting our strategic priority of ensuring a sustainable and inclusive development for Tonga, the ADB has also agreed to assist the NRBT in developing a **Financial Sector Strategy** that will help identify structural constraints and risks in the financial system and provide recommendations for financial deepening, access, and inclusion. This includes developing of instruments and facilities that would better meet the economy's financing needs.
- **Correspondent Banking Relationships (CBR):** The Joint Pacific Islands Forum Secretariat (PIFS) and World Bank CBR project aims to address the region's ongoing de-risking challenges, which have constrained

access and flow of cross-border financial transactions, and to improve Tonga's payment system environment.

Consultants have been engaged and deployed to implement various capacity building programs benefiting the Bank in the areas of data analytics, payment systems development and oversight and AML supervision, including the use of risk-based supervision tools. We are actively assisting with the data collection process to determine a CBR Resilience Index for Tonga.



*40th South Pacific Central Bank Governor's Meeting
October 2025. Auckland. NZ*

Transaction Reporting Authority

Financial Intelligence Operations

During FY2026, the Bank advanced the implementation of the newly passed MLPC Act 2025, strengthened enforcement in collaboration with the Ministry of Police, and escalated investigations of selected suspicious transaction reports and foreign currency transactions.

The Transaction Reporting Authority (TRA) was established by the MLPC Act with an expanded mandate replacing the former FIU, strengthening

the collection, analysis and dissemination of financial intelligence.

In parallel, the Bank prepared Tonga's APG Follow-Up Report 2026 (FUR2026) to support the country's request for targeted technical compliance re-rating of the 2021 Mutual Evaluation Report (MER2021) outcome by the end of the 2026 calendar year, and developed baseline information for the formulation of Tonga's National Risk Assessment (NRA).

The anticipated FUR2026 improved ratings would enhance Tonga’s international financial integrity supporting efforts to combat CBR pressures and reduce cost of remittances.

Financial intelligence collected is sourced from the STR, CTR and BCR and other information collected from financial institutions and other authorities. The continued increase in STR, CTR, and BCR reporting as reflected in *Table 2* has strengthened the TRA’s capacity to produce high-quality financial intelligence and detect emerging money laundering and other financial crime risks

Table 2: Reports Received

Types of reports filed	2022/23	2023/24	2024/25	2025/26
Suspicious Transaction Reports (STRs)	23	22	73	119
Currency Transaction Reports (CTRs)	17,790	14,863	76,148	145,051
Border Currency Reports (BCRs)	13 revised	61 revised	50 revised	52
TOTAL	17,814	14,885	76,271	145,222

Source: TRA, NRBT

Suspicious Transaction Reports (STRs): The number of STRs increased significantly by 63% to 119 reports in FY2026. The continued upward trend in STRs largely reflects improved awareness of suspicious transaction reporting obligations as quarterly technical meetings were undertaken with the banks on STR volumes and quality of reporting, as well as banks’ adoption of enhanced screening systems. Following the analysis of the STRs, they were disseminated to the Tonga Police, Ministry of Revenue and Customs, and the Attorney General’s Office for further investigation and enforcement actions.

Currency Transaction Reports (CTRs): The substantial increase in CTRs to 145,051 from 76,148 last year was primarily driven by higher volumes of funds entering the financial system, mainly for business and commercial activities.

Border Currency Reports (BCRs): BCR data for previous years (FY2023 – FY2025) were revised from the border control authorities. This indicates greater attention to improving accuracy of cross-border currency movements, in support of detection of any illicit financial activities.

Information sharing

Effective coordination through sharing financial intelligence and relevant financial information is important for in-depth and high-quality analysis and effective actions to successfully investigate and prosecute serious crimes.

- Requests for investigative assistance:** We responded to 59 information requests from domestic law enforcement agencies, including the Tonga Police, Ministry of Revenue & Customs (MRC), and Attorney General’s Office (AGO). These requests related to investigations of individuals and businesses committing or suspected of committing various predicate offences.
- Five **freeze orders** were issued during the year to banks based on reasonable suspicion that targeted bank accounts may be used to facilitate serious offences. This was to allow sufficient time for Police’s investigation to confirm suspicion.

Table 3: Request For Investigative Assistance

Background Checks	2022/23	2023/24	2024/25	2025/26
Number of Customer of Interests/ Business of Interests	146	362	258	599

Source: TRA, NRBT

- **Requests for information:** To support our analysis and due diligence, the TRA initiated 59 outgoing requests for information during FY2026, comprising 53 requests to domestic authorities and 6 to international counterparts: AUSTRAC (Australia Transaction and Reports and Analysis Centre), the New Zealand Financial Intelligence Unit (FIU), the Fiji FIU, and the Cook Islands FIU.
- **Due diligence:** We conducted background checks on 599 individuals and business entities to support compliance with AML/CFT requirements. This is a significant increase compared to 258 in FY2025. The higher number of checks were for new clients seeking to transact with the Bank and license and exchange control approval applicants, as well as updating previous checks of existing clients.
- **NRBT Correspondent banks (CBR):** The TRA is responsible for facilitating the Bank's correspondent banks' due diligence checks which is critical for the investment of Tonga's foreign reserves. Seven CBR requests were processed in FY2026. A key focus was on the Bank's AML Policy and control framework, and the update of the Bank's customer profile and transaction patterns.

Table 4: Requests For Background Checks

Request Report(s)	2022/23	2023/24	2024/25	2025/26
Number(s) of Request for Investigative Assistance	27	37	66	59

Source: TRA, NRBT

Domestic Cooperation

Working Group on Serious Financial Crimes

The Working Group convened its first meeting since 2023 in December 2025 and has had three meetings as of the end of FY2026. The main activities of the Working Group included the following:

- Thanks to Tonga Police enforcement and investigation of seven (7) illegal foreign exchange cases, three (3) were successfully convicted, two (2) acquitted and one pending trial while further suspicious transactions remain under active investigation.
- Adoption of Tonga's **Strategic Implementation Plan (SIP)** developed with APG's assistance. SIP outlines actions to be taken by members to address gaps from the 2021 Mutual Evaluation Report by the APG.
- Active follow up and report on the progress with the **SIP implementation** with the aim to seek a re-rating of Tonga's compliance with the international standards under the 2021 MER in October 2026.
- Coordination on the implementation of the **Money Laundering and Proceeds of Crime Act 2025** which was enacted in December 2025. This included awareness trainings of the Tonga Law Society members and key law enforcement agencies on their responsibilities under the Act.

Other domestic cooperation

- The Tonga Law Enforcement Agencies Committee, of which the TRA is a member, held its first meeting since 2024 in May 2026.
- The TRA participated in the annual AGO/Tonga Police training in June 2026. This was focused on asset recovery, mutual legal assistance and extradition.
- The TRA in collaboration with the Non-Bank Supervision team conducted spot checks on Foreign Exchange Dealers' compliance with the STR and CTR requirements.

International Cooperation

- **Asia Pacific Group on Money Laundering (APG):** In hosting a high-level visit by the APG co-Chair Toshi-san to Nuku'alofa in February 2026, Tonga stressed its commitment to improve compliance with the international AML requirements. APG confirmed ongoing collaboration to strengthen Tonga's efforts to improve compliance and enhance the effectiveness of its AML/CFT regime. This would support protecting the community from profit-driven crimes, improving the integrity of the financial sector, protecting the country's revenues and recovering proceeds of crime.
- **Pacific Strengthening Correspondent Banking Relationship Project:** The Joint World Bank and Pacific Island Forum Secretariat (PIFS) project consulted stakeholders in Tonga and developed an AML/CFT action plan to support strengthening of AML/CFT risk-based supervisory capacity and address deficiencies in the AML/CFT regime as identified in the 2021 MER. We

participated in an AML/CFT supervision training under the project in May 2026.

- **Pacific Financial Intelligence Community (PFIC):** Notable engagements facilitated by PFIC included assistance to fully operationalize the TAIPAN system to improve the quality and efficiency of financial intelligence analysis. We also participated in regional financial intelligence projects on common cases in the Pacific, which has informed the development and dissemination of financial intelligence.



Tonga Financial Intelligence Analysts Course (FIAC), March 2026

Capacity Building

- **AUSTRAC:** TRA benefited from capacity building opportunities offered by AUSTRAC including both in-country and regional courses on financial intelligence. Ongoing support for the TAIPAN system continued to fully operationalize TAIPAN.
- We also participated in various training on cryptocurrency, trade-based money laundering, AML Supervision, criminal intelligence and financial crimes hosted by a number of development partners and agencies.

Payment Systems

National Payment System is the financial arteries of an economy; its efficiency and safety determine how well Tonga can function in the modern world.

Just over 40 percent of adults report having a bank account, meaning that more than half of the adult population remains unbanked. Mobile connections are widespread equivalent to 89 percent of the population (GSMA Intelligence, 2025) but internet penetration is lower at around 58.5 percent (International Telecommunication Union, 2025), which constrains the reach of digital channels. Cash dominates everyday use: surveys show that 97 percent of Tongans used cash for their most recent grocery purchases, 97 percent for meals, and 96 percent for utility bills, with only about 3 percent are using a card or digital method. These figures illustrate both the persistence of cash as the trusted medium of exchange and a lack of alternatives.

Cheques are still widely used for Government payments and business transactions, particularly in rural areas. Bank transfers exist but typically take one or more business days and can carry high fees relative to average household incomes. A mobile money platform has been launched by a telecommunications company.

Our national payments system has not kept pace with the demands of a modern economy. The most fundamental gap is the absence of core infrastructures for large-value and securities settlement. Retail payments are equally constrained by missing infrastructures and the lack of interoperability across providers.

Tonga's Real-Time Gross Settlement system (RTGS) is the Domestic Electronic Payment

System, but it has limited functionalities and requires manual processes on the banks' end, which expose our system to risks. The limited system functionalities also restrict NRBT's ability to act effectively as lender of last resort, since liquidity cannot be moved across the system with certainty in real time. The absence of real-time settlement increases liquidity pressures and constrains the development of more advanced financial instruments. Shocks can propagate through the system more easily as the Bank's ability to manage liquidity is curtailed.

Our payment ecosystem is further constrained by limited connectivity of the domestic payment system to the cross-border payment system (SWIFT), resulting in delays in settlement of foreign exchange transactions and higher transaction costs for businesses and individuals.

Domestic Electronic Payment System

The Domestic Electronic Payment System (DEPS) facilitated the daily settlement of interbank obligations arising from the conduct of transactions on the Commercial banks' Exchange Settlement Accounts (ESA), the Bank's own trading activities, and undertaking of banking and depository services for the Government with limited RTGS. Transfers are settled either bilaterally or on a deferred net basis, without intraday finality.

The cheque clearing is carried out on a bilateral basis between banks in the ACH (Automated Clearing House) with final settlement taking place in the RTGS by the Reserve Bank. Commercial banks are the only participants in both the

systems. The operating hours of the two systems are from 9.00 am to 4.00 pm.

In FY2026, DEPS processed:

1. 18,084 interbank transactions
2. 101,454 cheques physically exchanged between banks daily and settled through DEPS (ACH)

Table 5: DEPS transactions

YEAR	RTGS	ACH
2021-22	4,780	120,113
2022-23	7,634	98,266
2023-24	8,543	113,884
2024-25	6,969	109,292
2025-26	18,084	101,454
Source: NRBT		

On average, 75 transactions per day were settled, with daily clearing volumes ranging from 200 – 400 cheques.

Other domestic payment systems

Payment system providers in Tonga are mainly the banks and a mobile money operator.

- **Banks** provide several payment products and services under their bank license. This includes cards (both **debit and credit cards**), and deployment of **ATMs and POS** for facilitating card-based payments of customers. The other access channels provided by banks to customers for their payment transactions include **internet and mobile banking** and services through agents. A few banks also provide separate online services to corporates for initiating their payment transactions.
- The **Mobile money operator** provides mobile money services to its customers and provides cash-in and cash-out services through its

agents, and recently enabled QR code payments. Banks and the mobile money operator through these channels facilitate P2P transfers, and utility bill payments on their own, through arrangement or through bilateral arrangements. However, **mobile wallets are not interoperable with bank accounts** and are not accepted for payments to/from the Government. The result is a fragmented retail landscape where digital payments remain slow, costly, and underused.

Cross Border Payments

In 2026, we processed 1,271 offshore payments on behalf of the Government and commercial banks, reinforcing its role as a trusted intermediary for Tonga's cross-border payments. These payments were executed through the SWIFT network under stringent security standards and internal controls, including systematic reconciliation of overseas balances, ensuring the safety of Tonga's foreign reserves.

We successfully finalized the Bank's transition to the ISO 20022 messaging standard, achieving full compliance ahead of the November 2025 global deadline.

Developing a New National Payment System for Tonga

During the year, the Bank advanced developing Tonga's National Payments System Strategy (TNPSS 2026 - 2031) which sets out a bold agenda to transform Tonga's payment ecosystem between 2026 and 2031 and completed drafting and public consultation on the Payments System and Services Bill 2026 including approval by the Government and submission to the Legislative Assembly.

The **New National Payment System for Tonga** is not simply a plan for new technologies or infrastructures, but a vision for how payments can underpin inclusion, innovation, and resilience. It lays out how NRBT will assist the Government to build the backbone infrastructures it currently lacks, modernize the legal and regulatory framework, strengthen the capacity of the Bank to provide oversight, and integrate payments into the broader national strategies for financial inclusion and Government digitalization which will cover the following:

- i. **Legal Framework - Payment System and Services Bill:** the Bill which establishes the legal foundation for operating the National Payment System, regulating payment service providers, including non-banks such as mobile money operators, and safeguarding financial consumers, continued to progress after Cabinet approval in June 2026 to finalization and consideration by the Legislative Assembly.
- ii. The Bill vests regulatory and oversight authority in NRBT, ensuring the safety, efficiency, and stability of the National Payments System while promoting financial inclusion and consumer protection to match the needs of a contemporary payment system. The Bill establishes the detailed legal basis required for key systemic infrastructures such as a RTGS system, Central Securities Depository (CSD) and sets out interoperability obligations and technical standards across providers.

- iii. **National Payment System Strategy:** the development of the National Payment System is guided by the Tonga National Payment System Strategy 2026-2031 (TNPSS) approved by Board and submitted for Cabinet endorsement as a National Strategy. The Strategy sets the strategic direction for payment system modernization over the next five years. Implementation of the first year of the Strategy roadmap is set to commence in FY2027.

The Strategy provides the platform already started in FY2026 to establish in Tonga a modernized, safe, efficient and inclusive digital payments ecosystem, built on a modern, fast and resilient infrastructure, and integrated into both national development priorities and the regional financial landscape.

- iv. **Capacity Building in Payment Systems:** we continued to invest in upskilling staff on payment system matters through exposure to overseas workshops, forums, and meetings. We participated in the SWIFT Business Forum on Cross-border payments and the World Bank Instant Payment Systems workshop, among other relevant engagements during the year. These opportunities support the development of technical capacity and keep the Bank abreast of international developments as it progresses payment modernization initiatives under the TNPSS.

Risk Management & Compliance and Communication

Enterprise Risk Management

During the year, the Bank stepped up the implementation of the approved Enterprise Risk Management Framework (ERMF), marking a notable improvement compared to FY2025. Key accomplishments included:

- Two **Quarterly Risk Reports** were completed and submitted to the Board Audit and Risk Committee (BARC) and the Board. Notably, these quarterly reports reflected a marked improvement in the quality, comprehensiveness, and timeliness of reporting, with all requirements under the ERMF, including the Risk Heatmap, Risk Frontier, and Risk in Focus sections, fully addressed.
- The monitoring of **incident management** was strengthened, enhancing the registration, reporting and resolution of incidents to prevent recurrence. This was achieved through closer monitoring of incident reporting, root cause analysis, and the provision of resolutions to mitigate risks and capture lessons learnt, with high-risk incidents reported to the Board as required.
- Enhanced the independence of the **Risk function's oversight** of the Bank's processes. This oversight function was strengthened in FY2026 through independent compliance and random check verification of processes within Foreign Reserve Management, Currency and Banking Operation and other departments, with findings also reported to the Board.

- Conducted in-house awareness training for staff on the ERMF, building understanding and ownership of risk management practices across the Bank. The training was also aimed at strengthening staff understanding of the importance of risk and how risk is embedded in their day-to-day activities and tasks.
- Reviewed the Enterprise Risk Profile (ERP) with the focus on High and Extreme Risk. The review extended beyond simply identifying High and Extreme risks to implementing mitigating actions aimed at reducing their risk ratings, helping to ensure these risks are appropriately addressed and mitigated.

Communication

- **Communication Policy:** This was approved to strengthen the institutional framework for the Bank's internal and external communications. The Policy supports clear, consistent, timely, and accountable communication while ensuring compliance with the Bank's statutory responsibilities, confidentiality obligations, and governance requirements. Implementation of the Policy through in-house awareness program is in progress.

Compliance and Governance

- **Compliance check:** Ongoing monitoring of compliance was strengthened through monthly compliance reviews, providing greater assurance that key risks, controls, and compliance obligations were being appropriately managed. This was particularly important given the continued absence of the

Bank's Internal Audit function, the third line of defence under the ERMF.

- **Whistleblower Policy and Anti-Fraud Policy:** drafts were completed, awaiting an independent review by technical assistance that is being recruited.

Internal Audit

- Following lack of certified applicants to the recruitment of the Chief Internal Auditor at the request of the Board Audit and Risks Committee, Management progressed the evaluation of outsourced expressions of interest from international external audit firms to review the **Internal Audit** function and determine its appropriate structure, managing the Internal Audit Request for Proposal (RFP) process with Board finalization expected in August 2026.
- We also advertised a senior Internal Audit position, with recruitment expected in September 2026 to support the outsourced internal auditor.

Currency Management

During FY2026, we continued to maintain an adequate supply of high-quality banknotes and coins to meet public demand. In line with the Quality Banknotes and Coins Policy, unfit currency was systematically withdrawn from circulation and destroyed to preserve the integrity of Tonga's national currency.

As of 30 June 2026, the currency in circulation totalled TOP156.4 million, an increase of 18.2% from FY2025.

Business Continuity Management

The Bank further strengthened its operational resilience through the Board's approval of its first ever Business Continuity Management (BCM) Suite: comprising the BCM Policy, BCM Framework and Business Continuity Plan (BCP), all aligned to ISO 22301:2019 standard and Business Continuity Institute (BCI) Good Practice Guide.

The Disaster Recovery Plan (DRP) is being developed alongside the Business Resumption Site (BRS), with the Bank advancing through the land acquisition, building design, and contract award phases.

Contingent Liabilities

Following the successful defence of three (3) litigations filed against the Bank in October and November 2025, the financial impact in respect of potential reputational damage and legal cost was assessed as being limited primarily to the Bank's lawyer's fees. As at 30 June 2026, no significant additional financial impact had been identified in relation to reputational damage.

- **Banknotes:** Currency in circulation increased by 18.8% to TOP149.5 million, supported by the issuance of new polymer banknotes and increased cash demand. The **TOP2** and **TOP50** banknotes remained the most widely circulated denominations over the past five years.
- **Coins:** Currency in circulation increased by 7.8% to TOP6.9 million. The **10 seniti** coin remained the most common denomination,

with approximately **10.2 million** coins in circulation.

This continued growth reflects sustained public demand and reinforces confidence in the quality, availability, and integrity of Tonga's national currency.

Table 6: Currency in Circulation

	FY2022	FY2023	FY2024	FY2025	FY2026
Banknotes (\$millions)	132.7	112.3	122	125.9	149.5
Coins (\$millions)	5.3	5.7	6	6.4	6.9
TOTAL	138.0	118.0	128.0	132.3	156.4

Source: NRBT

To better meet public demand and support commercial banks' operations, we streamlined our currency management policies and operational processes. These improvements enhanced the timely issuance and reissuance of new and fit-for-circulation currency, while increasing the efficiency of processing redeemed currency received from commercial banks.

During FY2026, we processed **1,679 redeemed parcels**, including **21 parcels** carried forward from FY2025. Of these redeemed parcels, **1,658 parcels** (99%) were counted, authenticated, sorted, and processed within the required **10-day turnaround period**.

- **386 parcels** of fit banknotes were repacked and returned to circulation.
- **550 parcels** of unfit banknotes were destroyed to maintain the quality and integrity of currency in circulation.



Currency Awareness Program, GMS Liviela, March 2026

As of 30 June 2026, **33 redeemed parcels** remained in the vault awaiting processing in the next financial year, together with **26 unfit parcels** awaiting destruction.

These outcomes reflect improved operational effectiveness coupled with new counting machines procured during the year, strict adherence to processing schedules, and the Bank's commitment to providing a clean, reliable, and secure currency supply for the public.

Table 7: Redeemed Parcels Processed

	No. of Parcel	Volume (No. Of Note Pieces)	Value (TOP\$)
Opening 1 July 2025	21	88,471.50	3,040,139
New Deposited	1,712	4,037,066	155,230,071
Counted (Processed)	1,679	3,965,537.50	152,937,210
Closing 30 June 2026	33	160,000	6,833,000

Source: NRBT

Counterfeit Banknotes

Safeguarding the integrity of Tonga's currency remained a key priority during the year. Through enhanced public awareness and close collaboration with stakeholders, we strengthened our efforts to detect and prevent counterfeit currency.

During FY2026, we received **three confirmed** counterfeit banknotes, comprising **one TOP100** banknote from the **2008 series**, **one TOP5** and **one TOP50** banknote from the **2015 series**.

Public Awareness Programmes

To strengthen public understanding of currency security and discourage currency abuse, we conducted several awareness initiatives during the year, including:

- Public awareness programmes in the outer islands (Vava'u and Ha'apai), engaging schools, commercial banks, businesses, and community groups.
- Media releases highlighting the importance of preserving banknotes and raising awareness of the legal consequences of currency defacement and counterfeiting.

These initiatives increased public awareness of genuine banknote security features, encouraged proper handling of currency, and promoted compliance with currency regulations.

Numismatic Currency

The Bank's numismatic programme performed strongly during the year, driven by increased demand for specimen banknotes from the 2023 currency series. Revenue from numismatic sales reached **TOP0.3 million**, exceeding the annual target of **TOP0.1 million**. This reflects growing interest among collectors and continued engagement with loyal customers.

During the year, we developed a new Numismatic Policy to govern the Bank's numismatic programme. Initiatives to diversify revenue sources through expanded numismatic products and sales opportunities remain ongoing.

Vault Management System

Work continued on digitising the currency management processes to improve operational efficiency, strengthen resilience, and support innovation. Development of the Bank's new Vault Management System (VMS) is progressing well and is expected to go live in August 2026. The VMS will automate and digitize core vault operations, including currency inventory tracking parcel processing and reconciliation, replacing manual record-keeping with real-time, system-based monitoring. Once operational, the VMS is expected to improve the accuracy and speed of currency processing, strengthen internal controls and audit trails over vault holdings, and reduce the operational and security risks associated with manual handling. These improvements will support the Bank's broader efforts to enhance the efficiency, resilience, and integrity of its currency operations

Information System Technology

Cybersecurity and Threat Management

During the year, we conducted a bank-wide cybersecurity awareness training for all staff, strengthened cyber intelligence-sharing with Commercial Banks, the Government (via TongaCERT) and regional central banks, and continued to upskill staff through ongoing training on cyber and IT-related matters. Management and the Board were also kept regularly informed of cyber incidents, both locally and globally, that could impact the Bank.

The Bank also deployed and advanced email security tools to improve phishing and threat filtering, supported by targeted staff awareness campaigns, and implemented a vulnerability management platform providing real-time visibility of endpoint security across the Bank's network. These initiatives reflect the Bank's continued efforts to strengthen its overall cyber resilience.

Cyber Incident Response and Compliance

The Cyber Incident Response Team (CIRT) conducted its annual cyber desktop exercise in November 2025, focused on internal CIRT communications and technical response capabilities. This exercise forms part of a Cyber Incident Response Plan that has been in place for over five years and is tested annually, reflecting the Bank's sustained commitment to incident-response readiness. Following the exercises, we reviewed and updated the Cyber Incident Response Plan (CIRP) 2025, including communication protocols, escalation matrices, and forensic and post-incident reporting standards. The Bank also completed the 2025 independent SWIFT Customer Security Programme (CSP)

Attestation, meeting all mandatory security control requirements, and strengthened access control systems across critical platforms, including role-based access, tighter controls on privileged accounts, and enhanced logging.

We also took part in an independent review led by Deloitte and TongaCERT assessing the cyber preparedness and cyber programmes of organizations across Tonga, including a tabletop exercise conducted as part of the review.

Deloitte's report identified the NRBT as the most cyber-resilient organization assessed in Tonga, reflecting its overall level of preparedness.

IT network and Infrastructure Review

The Bank expanded log coverage to additional critical systems and refined alerting to reduce false positives and improve response times. Monitoring insights were also used to track remediation progress on the 2024 IT External Audit recommendations, with approximately 30% of the action list completed to date. The remaining items will continue to be progressed in the next financial year.

The Bank continued its hardware refresh programme, replacing aging staff computers and laptops with updated and more secure devices. The Bank also engaged an external IT consultant to review its IT network infrastructure, ensuring alignment with international IT and Security standards and readiness for future integration with the Business Resumption Site (BRS) as it is developed.

System Migration and Technology Upgrades

We completed the Microsoft Office 365 implementation enhancing efficiency and improving productivity and integrated it with existing systems. We also reviewed SharePoint to support staff collaboration, and evaluation tools to support the Information Classification initiative, including automated labelling and classification-based access controls. The drafting of the Information Classification Policy was also completed, with Board finalization expected in August 2026.

Digital Services and Development Projects

We delivered a new subscription feature on our website, enabling users to receive notification on publications, alerts, and updates directly from the site, and used analytics insights to refine content placement and navigation.

Facilities and Physical Infrastructure Upgrades

Building and Property

During FY2026, we continued to strengthen the management of the Bank's property, plant, and equipment through planned maintenance, improvement initiatives, and responsive property services.

Infrastructure Upgrades and Modernization

Essential Systems Enhancement

- We completed the final phase of the \$0.43 million **water and plumbing system upgrade** contract, deferred from FY2025. This was

During the year, the Bank upgraded its meeting room facilities, replacing the projector and drop-down screen setup with a CISCO Conference Kit that integrates the Board Room, Conference Room, and Training Room, and allows staff to book and manage meetings directly through the system. This upgrade forms part of the Bank's broader efforts to modernize its operations.

The Bank also upgraded its security systems, replacing CCTV cameras and electronic doors with IP network cameras, strengthening the monitoring of activities and movements within the Bank.

Cross Departmental and IT Service Support

The IT team continued to provide design and publication support across departments, including archway banners, Annual Report design and formatting and currency-related pamphlets and publication.

We also reviewed various Helpdesk Ticketing Support systems, with implementation expected in the next financial year.

completed by Build N Concrete under the supervision of Calibre Project Managers (CPM). The work replaced ageing water pipes and connections with new copper and PVC piping, renewed the sewerage system, and installed a water softener. The upgrade significantly improves the building's water reliability, quality and sanitation, reduces the risk of leaks and plumbing failures, and provides a safer and more reliable water and wastewater system for the Bank and its tenants.

- We continued monitoring and maintenance of the centralized **air conditioning system** to support reliable cooling performance and maintain a comfortable working environment across the building.
- We completed a comprehensive review and upgrade of the building's electrical infrastructure, including cable management, power connections, and overall electrical system integrity.

Building Refurbishment

- We completed the **air conditioning upgrade** for the Control Room and continued works for the Embassy of Japan and Board Room to improve cooling performance and environmental conditions in key areas.
- We coordinated facility support for tenant requirements, including office improvement works for the Embassy of the United States of America.
- The new \$0.61 million NRBT New **Roofing Project** was also completed in FY2026 by Oregon Pacific International (OPI) supervised by CPM. The project replaced ageing roof, improving the building's structural integrity and long-term sustainability.

Safety, Security, and Compliance

- We progressed follow-up on the recommendations arising from the NRBT Structural Seismic Assessment, gathering proposals for potential remedial works to enhance the building's resilience and safety.
- We addressed findings from the Tonga Fire & Emergency Services inspection to support ongoing compliance with fire safety requirements.

- We completed upgrades to the CCTV surveillance and access control systems to improve security monitoring, access management and protection of the Bank's facilities.
- We continued to strengthen the Bank's security arrangements through the implementation of recommendations arising from the Protective Services and Security Review.
- We maintained effective insurance arrangements, engaged with insurance providers, to ensure the Bank's assets remain appropriately protected.

Business Continuity and Disaster Recovering Planning

The Bank advanced preparatory works during the year for the establishment of the Bank's Business Resumption Site (BRS) to strengthen operational resilience and continuity of critical functions.

Following the unavailability of the Taliai Camp option, new land at Pelehake (next to the turn to the International airport in front of the Kupesi Hotel) was confirmed during the year, with the lease agreement subsequently executed and the formal lease deed secured.



HSH Prince Tu'ipelehake signing of the lease agreement, June 2026

In parallel, the Bank continued fact-findings in preparation of the detailed design and planning for the BRS facility to be tendered in the last quarter of 2026. Based on the detailed design, the construction contract award and construction are expected to commence in FY2027.

Tenant Relations and Property Management

- We reviewed and renewed the lease agreement for the Tonga Australia Support Platform (TASP) for another three years,

Human Resources

During the year, we focused on enhancing employee capability, supporting staff wellbeing, strengthening talent management, and improving HR processes through the continued use of technology.

Staffing Overview and Workforce Development

At the end of June 2026, the Bank's staff complement reached 91 employees, a 5% increase from FY2025, reflecting the Bank's expanding operations and strategic initiatives.

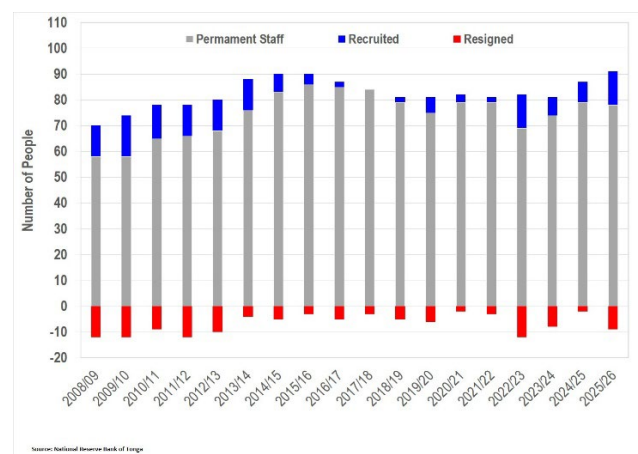
The Bank's workforce comprised:

- **79% are permanent employees** providing organizational stability and continuity
- **14% are the fixed-term contract staff** offering flexibility for specialized projects and temporary requirements.
- **6% are daily paid staff** supporting operational needs.
- **1% are volunteers**, contributing to the Bank's activities through short-term placements and learning opportunities.

maintaining important institutional relationships.

- We coordinated facility support for tenant requirements, including office improvement works for the Embassy of the United States of America
- We continued to provide high-quality facilities and services for building tenants, coordinating the Bank's improvement initiatives with engineering and technical support from CPM for critical projects.

Figure 6: NRBT Total Number of Staff



The Bank maintained a balanced gender composition, with female staff comprising 51% of our workforce and male staff 49% consistent with previous financial years (FY2025 and FY2024).

Recruitment and Staff Movements

During the year, we recruited 13 new staff members and managed 9 staff resignations. We also completed the annual performance appraisal cycle, providing evaluation and feedback for staff development and career progression.



Bank Birthday, NRBT July 2026

Learning and Development Initiatives

We delivered an extensive learning and development programme, comprising:

- **25 training and development programs** delivered both locally and internationally
- **20 specialized training workshops** covering technical skills and professional competencies
- **13 strategic meetings and conferences** fostering knowledge sharing and industry networking.

The Bank continues to support staff upskilling through a combination of overseas training, local online learning, and further studies, reflecting its ongoing investment in workforce capability.

Human Resource Information System

We continued to strengthen digital human resource management through the ongoing use of the Human Resource Information System (ELMO HR):

- The **Staff Leave Management System** (HR Core) continued to facilitate the efficient administration of staff leave through automated application. During the year, the **ELMO mobile application** was introduced,

providing staff with a convenient way to submit leave requests, access leave information, and receive real-time approval notifications from anywhere.

- The **Learning Management System (LMS)** continued to support tracking and management of staff learning and development activities.

Performance Management System (PMS)

A key milestone this financial year was the migration of the Staff Performance Appraisal process from a manual, paper-based system to the fully automated ELMO HR System. Following a successful trial in the previous year, the Bank fully transitioned staff performance management to its revised online Performance Management System (PMS) under ELMO, strengthening the link between individual performance, accountability and the Bank's annual operational objectives. The revised approach delivered clearer performance differentiation and more effective calibration in 2026. Of the 85 total staff, 9 percent were promoted and 52 percent received performance bonuses, while 18% received no remuneration adjustment (remainder pending assessments), compared with 7 percent promotions, 53 percent receiving performance bonuses and 26% receiving no adjustment among the 72 staff in 2025.

The 2026 revised PMS Policy (NRBT006) introduced a more transparent, participatory and performance-based assessment process, enabling employees to self-assess alongside their supervisors, discuss differences in ratings, and agree on performance gaps and development priorities. Executive Management was also brought within the online PMS for the first time,

strengthening consistency and accountability across all levels of the Bank.

Overall, the revised PMS has reduced reliance on supervisors' judgment alone, strengthened staff ownership and accountability, and better aligned recognition and reward with demonstrated performance and contribution to the Bank's annual deliverables. This supports a stronger performance culture, targeted staff development and more effective delivery of the Bank's operational and strategic priorities.

Staff also enjoyed the efficiency of the automated **PMS** three key stages throughout 2026: Goal Setting in July, where managers and staff agree on the goals against which performance will be assessed, a Mid-Year Checkpoint in December, where staff and managers review and update progress against these goals, and the Annual Appraisal in June, where staff complete a self-assessment before review by their managers and final approval by Executive Management.

General Administration

During FY2026, we continued to support the Bank's operational effectiveness through the delivery of essential administrative services and coordination across the organization. Key focus areas this year included procurement, records management, access control, transportation, and general administrative services.

Operational and Logistics Support

- The team facilitated transportation services for the Bank's guests, including technical assistants and consultants.

HR Policy Review and Implementation

We continued to strengthen the Bank's HR governance framework through the implementation, review, and refinement of HR policies.

The HR team also implemented these newly endorsed policies during the year, providing guidance and support to ensure staff and bank-wide compliance.

- NRBT002 – Leave Policy
- NRBT004 – Temporary Assignments, Acting Appointments, Secondments Policy
- NRBT005 – Work Hours, Overtime Allowance Policy
- NRBT006 – Performance Management Policy
- NRBT007 – Disciplinary Policy
- NRBT008 – Recruitment, Promotion and Transfer Policy
- NRBT009 – Employee Probation Policy
- NRBT015 – Remuneration Policy
- NRBT017 – Travel Policy

- The Administration team also assisted with organizing logistics for the Bank's corporate functions.

Ongoing Projects and Next Steps

- **Records Management:** We progressed work on the Bank's Records Management project, with the expectation to continue into FY2027, including completing the drafting of the Records and Archives Policy and improving the overall records management system.
- **Procurement Policy Implementation:** The new policy strengthens the Finance

Department's ability to achieve better value for money through more competitive and fit for purpose procurement. Administration led the implementation of the Policy during the year and also completed the new Procurement plan for FY2027. The Policy also provides appropriate exemptions for the Bank's specialized requirements including currency counting machines, and critical building

systems such as lifts, generators and security where conventional procurement methods may not deliver the best value for money.

The Policy sets out clear procedures for procurement, contracting, and contract management for goods, work, and services while providing a consistent approach to mitigate procurement risks.

Security Unit

The Security Unit maintained consistent daily operations throughout the financial year, providing comprehensive security services including access control and monitoring of the Bank's premises, regular security patrols, oversight of currency operations and banking transactions, escort duties for commercial bank activities, and supervision of cleaning operations.

Key achievements included:

- Successful and effective management of special operations including two currency consignments during the year.

- Emergency response to tsunami warnings during the year.
- Upgrade of security gears and equipment following an independent review of the security system and processes.
- Ongoing training of security team on the new CCTV upgrade, intercom system and electronic access doors.
- The review of the Security Standing Order, which is expected to be completed in FY2027.



Head of Security, 2026

Financial Performance

The Bank maintained a strong and increasingly resilient financial position in FY2026. Total assets increased by 6.3 percent to T\$1.04 billion, exceeding T\$1 billion for the first time, largely reflecting an increase in foreign currency assets to T\$1.02 billion. In line with its core responsibility, foreign currency assets continued to represent approximately 98 percent of total assets.

Our financial buffers strengthened further during the year, with net assets increasing by 18.2 percent from T\$51.7 million in 2025 to T\$61.1

million in 2026. Over the five years since 2022, net assets have more than doubled, while the ratio of net assets to total assets strengthened from 3.3 percent to 5.9 percent.

A Net Profit of T\$26.6 million was recorded in FY2026, a 18 percent decline compared to FY2025, but remains above the 5-year average of T\$23 million. The decline in net profit largely reflected lower investment income as global interest rates decreased, and the monetary policy costs incurred during the year.

Table 8: Comparison of Financial Results over the years

	2026	2025	2024	2023	2022
Foreign Currency Assets	1,018,313,700	957,558,391	952,671,684	940,998,055	878,165,991
Local Currency Assets	24,991,770	26,446,945	27,221,843	22,128,521	20,210,320
Total Assets	1,043,305,470	984,005,336	979,893,527	963,126,576	898,376,311
Foreign Currency Liabilities	100,819,436	123,119,308	102,559,963	140,094,098	103,511,006
Local Currency Liabilities	881,408,802	809,217,785	834,533,685	790,218,001	764,938,995
Total Liabilities	982,228,238	932,337,093	937,093,648	930,312,099	868,450,001
Net Assets	61,077,232	51,668,243	42,799,879	32,814,477	29,926,310
Net Profit available for distribution	26,600,758	32,527,488	35,778,967	20,387,379	529,534
Transfer to General Reserves (30%)	7,980,227	9,758,246	10,733,690	6,116,214	158,860
Transfer to Government of Tonga (70%)	18,620,531	22,769,242	25,045,277	14,271,165	370,674

The Bank also maintained a substantial positive net foreign currency position, increasing to approximately T\$917.6 million in FY2026. Together, these developments demonstrate a stronger financial position and increased capacity to absorb financial and valuation risks while supporting its gradual modernizing monetary

policy implementation, foreign reserve management and the Bank's hierarchical statutory objectives.

The external auditor KPMG (Fiji) has again issued a clean audit opinion on NRBT Annual Financial Statement Ending 30 June 2026 indicative

of the Bank's sound financial management and continued compliance. Importantly, NRBT continues to strengthen its financial resilience to new levels, building the buffer and institutional capacity needed to withstand shocks and confront increasingly complex and difficult challenges facing the Tonga economy

The KPMG (Fiji) audited NRBT Annual Financial Statement for the Year ending 30 June 2026, which is attached at the request of the Ministry of Finance.

